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National and international cooperation for social development

Report of the Secretary-General

Summary

The present report has been prepared in response to Economic and Social Council decision 2002/237, in which the Council adopted the agenda of the Commission for Social Development for its forty-first session and identified its priority theme: National and international cooperation for social development. The priority theme includes five sub-themes: (a) sharing of experiences and practices in social development; (b) forging partnerships for social development; (c) social responsibility of the private sector; (d) impact of employment strategies on social development; and (e) policies and role of international financial institutions and their effect on national social development strategies.

The report provides an analysis of these sub-themes and includes such issues as capacity-building for social development, priority-setting and financing, information and evaluation, lessons learned from recent experiences with social development partnerships and approaches to the social responsibility of the private sector. It also covers impact of employment strategies on social development as well as providing a critical appraisal of the activities and impact of international financial institutions on national social development strategies.

The Commission's attention is particularly drawn to the policy recommendations contained in the present report, which address various issues of concern at both the national and international levels.

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I. Introduction

1. The priority theme for the forty-first session of the Commission for Social Development, National and international cooperation for social development, was adopted by the Commission at its thirty-ninth session (February 2001) as part of its multi-year programme of work for 2002-2006.[1] The priority theme includes five sub-themes: (a) sharing of experiences and practices in social development; (b) forging partnerships for social development; (c) social responsibility of the private sector; (d) impact of employment strategies on social development; and (e) policies and role of international financial institutions and their effect on national social development strategies. The present report is submitted pursuant to Economic and Social Council decision 2002/237 of 24 July 2002, by which the Council adopted the agenda of the Commission for Social Development for its forty-first session, including the above priority theme and sub-themes.[2]

2. In exploring the various dimensions of the priority theme, the Secretariat organized two expert group meetings. The first meeting, which was held from 12 to 14 June 2002 in Havana, covered "Sharing of experiences and practices in social development".[3] The second meeting, which took place in Copenhagen, from 26 to 29 June 2002, addressed the themes, "Forging partnerships for social development" and "The social responsibility of the private sector".[4] Experts, who were invited in their personal capacity, were not only requested to discuss the issues at hand but, more importantly, to put forward recommendations for consideration by the Commission for Social Development. This report draws to a considerable extent on the final outcome documents of those expert group meetings.[5]

3. The crucial role of international cooperation in solving international problems of an economic, social, cultural or humanitarian character and in promoting and encouraging respect for human rights and fundamental freedoms for all without distinction as to race, gender, language, or religion is enshrined in the Charter of the United Nations. In a broad political sense, it is one of the main purposes of the Organization. The Copenhagen Declaration on Social Development, which was adopted at the World Summit for Social Development in 1995,[6] re-committed Governments to an improved and strengthened framework for international, regional and subregional cooperation for social development, in a spirit of partnership, through the United Nations and other multilateral institutions. In the same vein, the Millennium Declaration underscored a collective responsibility to uphold the principles of human dignity, equality and equity at the global level and a shared responsibility of Member States for managing worldwide economic and social development.[7] The priority theme for the forty-first session of the Commission is thus a further extension of the long-standing interest of the international community in national and international cooperation for development.

4. The present report, in particular the discussion of the five sub-themes, is organized along the structure approved by the Commission for Social Development. The discussion of each sub-theme provides a distinct dimension of national and international cooperation for social development. At the same time, each sub-theme is quite broad in and of itself, and not necessarily directly connected to the others. With this in mind, every effort has been made to present the main issues in a logical and succinct manner. The Commission's attention is drawn, in particular, to the report's policy recommendations, which address various issues of concern at the national and international level (see paras. 119.1-37, below).

II. Sharing of experiences and practices in social development

A. Framework of cooperation

5. For the purposes of the present report, cooperation involves collective and collaborative efforts at the national and international levels among partners/stakeholders for the realization of their agreed social development objectives. In the face of deep-rooted problems, including poverty, unemployment and social exclusion, as well as many other social challenges, significant joint actions are clearly needed.

6. At both national and international levels, there are differences in the approach of Governments and other stakeholders to agendas and modalities of cooperative efforts in the social field, and there are often substantial differences in expectations regarding such cooperation, especially at the national level. Practices of, and participation in, decision-making among the partners may also take different forms, from consultation and information sharing to actual control of resources directed at the problems. Interaction, reciprocity and mutual influence among the partners are crucial elements of effective cooperation at all stages, from the framing of problems to the setting of objectives, or the implementation of a project or a policy. When partners are unequal, such mutuality will, however, be elusive. When the strategy of cooperation is well conceived, properly implemented and managed, and is based on mutual respect, transparency and realism, it enhances the chances of successful results. It also contributes to building trust among partners, thus facilitating the achievement of agreed objectives.

7. National public policy frameworks vary, reflecting as they do a mixture of goals and means. They are influenced by such factors as the private-public mix in the administration, provision and funding of social programmes and services, community participation and ownership and attention to the principles of universality, solidarity, equity and efficiency. Attention to these matters often determines the relative importance of social ministries in the national governance structure. Approaches differ along a continuum that ranges from free market "fundamentalism" and trickle-down distribution, to full government responsibility for the provision of social services. Governments have the flexibility to make choices along this continuum. It is notable, however, that neither extreme has proved to be free of inefficiencies and inequities, and that serious attention to social development often requires profound institutional reforms as well as considerable upgrading of operational and administrative aspects of programmes. Capacity-building, which is especially important in this respect, is a topic to which the present report will turn (see paras. 10-16 below).

8. At the international level, the patterns of cooperation and collaboration include both bilateral and multilateral efforts. Common socio-economic problems of Member States are dealt with in a variety of ways, both binding and non-binding. Negotiations resulting in binding international agreements coexist with the adoption of non-binding resolutions, declarations and recommendations intended to enhance various forms of cooperation among countries. Furthermore, the United Nations promotes the establishment of specific programmes of assistance to Governments and, by implication, to their peoples as well as collecting and disseminating information on socio-economic issues and developments.

9. With the impact of social development policies and programmes often taking many years, even decades, to materialize, a considerable strain is placed on maintaining cooperation and collaboration at all levels. Furthermore, social development requires not only multidimensional and integrated approaches, but also consistency among policies and priorities and adequate financing. Many social development programmes result in important public goods,[8] including education, health, security, solidarity and a sense of equity and justice. The role of government is thus crucial to effective policy formulation and implementation, oversight and regulation. The commitment of the State is fundamental to the fulfilment of the above-mentioned principles of universality and equity. This also means that Governments should take primary responsibility for the financing and provision of social services and programmes. Taking the provision of public goods to its logical conclusion, it can be argued that social development may be considered a global public good[9] in itself, with the inescapable corollary that the international community should be fully committed to promoting such development everywhere. Viewed this way, donor Governments, multilateral agencies, development foundations and other international non-governmental organizations (NGOs) have a key role in providing financial and non-financial resources to support the social development agenda of nations and regions, a view that is, at least implicitly, embodied in the Millennium development goals, with their international commitment and responsibility to deliver substantial improvements in the world's social agenda, as first spelled out at the World Social Summit in 1995.

B. Capacity-building

10. In addition to encompassing physical infrastructure such as transportation, communications, water supply and sanitation, housing and environmental protection, capacity-building also addresses the capacity of social institutions, including: the family and wider social networks; the provision of services, such as education and health care; and the legal system and public administration. Changing values and norms, including a strong commitment to human rights and gender equality, are also dependent on capacity-building.

11. Furthermore, strengthening domestic financial institutions and regulatory agencies and promoting transparency, appropriate supervision, oversight and accountability in the processes of economic policy-making and public finance can also help to reduce macroeconomic vulnerability while securing financing for social development.

12. In building capacities, the processes involved should be open, participatory and directly linked to grass-roots experience. Transparency and the full involvement of stakeholders at all levels contributes to building an informed citizenry, promoting a sense of fairness and increasing public acceptance and support, all of which are prerequisites for effective policies and programmes. These considerations apply not only to government agencies but also to national and international NGOs.

13. In promoting the social components of capacity-building such as knowledge, skills, institutions and systems of management, policies and programmes at the national level often focus on two important objectives of development: education and justice. Improving opportunities and raising the level of educational performance, often seen as a gateway to future economic prosperity, requires

fostering broad-based participation in scientific and technological transformations and in the benefits they bring. It also requires constitutional structures and governance that guarantee fundamental rights and freedoms.

14. Capacity-building combined with decentralization can considerably enhance transparency and face-to-face accountability. Many of the best examples of effective action by citizens in calling their politicians and public officials to account have taken place at the level of local government.[10] Soliciting citizens' views on government services and building local capacity to design and conduct such programmes, for example, public opinion surveys, have become instruments of accountability at the local level. National experiences vividly demonstrate that encouraging more active citizen participation, bringing citizens into the political arena and making local governments accountable to those they govern not only enhances national capacity to deal with social issues but also brings desired empowerment to women and minorities. Programmes aimed at promoting democratization at the local level have often struck a sympathetic chord with the donor community, leading to increased funding.[11]

15. Because capacity-building is increasingly seen as key to development, it has become one of the fundamental pursuits of the United Nations system's operational activities. It has evolved significantly over time and continues to do so, especially with the adoption of the Millennium Declaration, which implies that all countries should have, or should acquire, the capacity to achieve the development goals contained in it.[12]

16. It is clear that the role of Government in social development is crucial. Each country must design its own policies to develop on the basis of its own unique circumstances. It is also clear, however, that countries where the chances of lasting social development are best are those that strive to create a democratic society with broad popular participation, fulfil human rights, pursue economic policies to reduce poverty and have sufficient capacity to implement such policies.

C. Information and evaluation

17. Adequate, timely and accurate information is essential for the formulation of meaningful policies and effective programme management. Quality information assists not only in identifying and testing alternative approaches but in evaluating the suitability of policies and their effectiveness and efficiency in programme implementation. Information and evaluation also provide a foundation for accountability. Regular feedback from programme operations can guide directions for change.

18. The utility of information is a function of its fairness, objectivity and independence. Those groups of the population most affected by the impact of policies and programmes should be engaged in their evaluation. Carefully designed quantitative and qualitative surveys of statistically adequate samples and participatory processes are preferable to relying on the observations of officials in charge and conversations with selected beneficiaries. Scientifically designed and conducted surveys are more costly, but far more reliable and useful. Making the results of these evaluations public contributes greatly to transparency and public trust.

19. Commitments by Governments to specific targets and goals and a willingness to publicly disclose progress towards achieving them is becoming increasingly common at the national level, despite the associated political risks. From the citizen's point of view, such a strategy provides a framework both for calling Governments to account and for judging whether the entitlements being offered are legitimate and acceptable.

D. Priority-setting and financing

20. While cooperation, capacity-building and information and evaluation are all necessary conditions for successful social development, the many dimensions of social development also require sustained and adequate financing. In the face of perennial resource constraints, particularly in developing countries, priorities should be carefully set.

21. Setting priorities for social development implies joint consideration of policies affecting economic opportunities, investment in human capital and social protection schemes. This requires close coordination and cooperation among the finance and social ministries (including social security, labour, health and education). Once the importance of integrated approaches to economic and social policy is recognized, priority-setting by policy makers will become more informed. Such an approach will lead to a paradigm change, from a "sequential" (or so-called "growth-first") model of development to a "synergistic" one, in which socio-economic development is seen as both a means and an end rather than as a by-product or outcome of the attainment of certain economic goals.

22. Priority-setting should not overlook broader goals of empowerment of partners and participatory collaboration, including involvement of groups most affected by proposed policies, projects or schemes. Gender mainstreaming must be taken into account in any type of collaboration. The need to sequence and time programmes as well as to balance the interests of various segments of the population and different generations is especially important in priority-setting for social development.

23. The importance of sustained and adequate financing for social development cannot be overemphasized. Whether such financing should primarily occur at the national level or be decentralized is open to debate. Whatever financing mechanisms are chosen, they should ensure the provision of services as well as fiscal coherence while maintaining macroeconomic balance. If decentralized governance is considered desirable, it is important that the transfer of concomitant mandates be fully financed at each stage in the process and that local governments should simultaneously seek to increase their fiscal revenues from local resources. In general, a suitable regulatory and supervisory framework has to be developed within a decentralized structure encompassing the central, intermediate and local levels. It is also important that centralized and decentralized offices avoid overlap or competition for power or authority.

24. The social services financing is often threatened by economic and financial instability, which should and can be reduced by adopting prudent macroeconomic policies and establishing an effective system of information and economic analysis. Overcoming economic and financial instability, and the structural adjustment measures this often requires, can, however, have severe adverse implications for the financing of social sectors. Thus, policy makers are confronted with a conundrum in

which instability negatively affects social services financing and overcoming such instability does not necessarily lead to an improvement in such financing. A World Bank working paper examining the experience of Argentina in the 1980s and 1990s shows that although pro-poor social spending is especially needed during times of fiscal austerity, the actual budget cuts fell particularly hard on social spending targeted at the poor.[13] It is thus important for policy makers to safeguard social spending in general and spending targeted at the poor in particular during periods of economic downturn and fiscal retrenchment. This emphasis does not preclude pursuing sound macroeconomic policies, including achieving lower inflation targets.

25. Besides public finance, there are examples of innovative financing for social development, particularly in private financial markets. These range from the development of microcredit facilities to the introduction of increasingly sophisticated financial instruments and markets. Although not a panacea, the success of microcredit regimes in many developing countries in reducing poverty, promoting education and health programmes and creating economic opportunities for women is well recognized.

E. Official cooperation for development

26. Poverty eradication has been the core theme of the major United Nations conferences and summit meetings convened during the past decade. Combating poverty has become one of the major declared priorities of the donor community, often entailing internal reorganization and changes in methods of delivering assistance. The growing importance of the "social component" in the overall distribution of development assistance has been demonstrated by the increasing share of aid directed towards social services (14 per cent of official development assistance in 2000 compared to 8 per cent in 1990).[14] At the same time, drawing a line between "economic" and "social" goals is often unrealistic, as the "social" goals are an integral part of development efforts such as rural development or infrastructure building, while the achievement of many "economic" goals may also bring about better "social" outcomes. For example, enhanced levels of investment and/or economic growth as a result of international cooperation is an important factor in increasing the welfare of a population, including a reduction of poverty and better provision of social services.

27. While the primary responsibility for the achievement of the Millennium development goals lies with the Governments of developing countries and the bulk of resources will come from their budgets, in many low-income countries the narrow resource base is unlikely to permit the achievement of these goals without additional external resources. The attainment of the goals requires universal access to social services such as basic health care and education, reproductive health and safe drinking water and sanitation, access which has been sorely missing in many developing countries.[15] Official development assistance will be an important source in supplementing the lack of domestic resources.

28. While official development assistance represents only one element of a much broader international cooperation effort, the mobilization of resources for social development through this mechanism has been an important part of international cooperation. Overall, striving for the fulfilment of the agreed donor target of 0.7 per cent of gross national product for official development assistance, and increasing the

share of funding for social development programmes commensurate with the scope and scale of activities required to achieve the internationally agreed upon development goals has been an important objective of the international community. However, despite the renewed commitment of the donor countries to meet the agreed target, official development assistance has continued to decline. In 2001, official development assistance from the member countries of the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD) declined again to $51.4 billion from $53.7 in 2000.[16] In March 2002, however, prospects for reversing that decline improved following the holding of the International Conference on Financing for Development in Monterrey, Mexico, where some major donors (United States of America, European Union and Canada, among the others) pledged substantial increases in official development assistance to developing countries.

29. It has been widely recognized that mobilization of additional resources is required to bridge the gap between current levels of official development assistance and the estimated funding needed to achieve the Millennium development goals. The scale of donor assistance to specific social sectors in recipient countries inevitably varies, reflecting numerous trade-offs and different priorities of partners. One good example of the magnitude of the current funding problem, against the background of the existing needs, is official development assistance for health and population programmes in developing countries: at the end of the 1990s, donor assistance averaged $2.55 billion per year (or just 0.01 per cent of donor GNP), while the desirable level was estimated to be at least $27 billion per year.[17] Even if this hypothetical increase materializes by 2007, as proposed by the Commission on Macroeconomics and Health,[18] the total bilateral flows in this area would amount to only 0.1 per cent of the GNP at the respective donors, or one penny for every $10 of donor GNP compared to one penny for every $100 of donor GNP now.[18]

30. The case for development assistance rests, in the broadest sense, on grounds of morality, politics and self-interest. Moral and ethical considerations are often used to make a case for both corrective and distributive justice through international cooperation. The rectification of past wrongs coexists with calls for the redistribution of wealth or income according to criteria of either need or merit. The assumption is that international or national economic interdependence creates benefits and costs that are unevenly distributed, calling for corrective action.[19] Humanitarian or charitable considerations are particularly important in development cooperation in the face of various crises where human life is at risk.

31. The rights-based approach to development can be seen not only as a moral but also as a political justification for international cooperation. People throughout the world are seen to have certain inalienable rights and Governments have an obligation to facilitate the enjoyment of these rights and to work towards the creation of appropriate domestic and international environments and conditions that will lead to their realization. In this view, there is a simultaneous relationship between development and human rights: lack of development is a denial of human rights, but lack of human rights makes it very difficult for development to take place.

32. In addition to moral and political reasons, there are numerous economic arguments underpinning the need for international development cooperation. In an increasingly integrated world economy, and in the face of numerous cross-border

challenges, the provision of "global public goods"[20] is vital for the achievement of positive outcomes, including the reduction of negative external factors.[21] Some challenges, including environmental degradation, drug trafficking and the spread of diseases such as HIV/AIDS, have become global in nature. The cooperation of all interested/affected parties in addressing these challenges is indispensable for the achievement of immediate results, as well as for the maintenance of global stability and peace. Furthermore, some temporarily localized threats (e.g., a looming food crisis or ongoing conflicts at the local/regional level) may have the potential to "spill over" and affect other countries. Under such conditions, cooperation at both the national and international level becomes a factor of paramount importance for mutual social and economic well-being.

33. The case for national and international cooperation is also supported by considerations of self-interest. In the final analysis, nations pursue policies in their own interest, especially in such areas as efficiency of resource allocation. Pursuing such self-interest does not necessarily lead to a zero-sum game. For example, there are many areas where international cooperation leads to a more efficient allocation of global resources or to the expansion of the global market. This has advantages for all countries, as higher levels of economic growth and per capita income increase demand for goods and services, creating a "virtuous circle" in the long run.

34. In view of the various arguments above, it is not surprising that the task of making official development assistance a more effective instrument for the improvement of human well-being has long been on the agenda of national aid agencies. Many of these institutions, responding to calls from domestic constituents to increase the effectiveness of assistance and facing reappraisal of their mandates, have widened the scope of their operations from macroeconomic stability and/or economic growth to areas such as employment promotion, poverty reduction, gender equality and good governance. Mutual responsibility of donors and recipients has become an integral part of aid provision.[22] While efficient utilization of official development assistance by recipient countries is seen as essential by the donors, it is also recognized that donors should pursue consistent and coherent policies, especially in the areas of trade and aid. Competent delivery of assistance is as important as competent use of such aid. Consequently, the main challenge faced by donors is not simply selecting countries that should receive their aid, but rather to select those who, within the recipient countries, should receive aid, and what policy objectives the donors should support.[23]

III. Forging partnerships for social development

A. What is a partnership?

35. Increasingly, partnerships among various actors are part of national and international cooperation for social development. As a result of the rising popularity of partnerships, there has been a tendency to use the concept fairly loosely to refer to almost any type of cooperation or collaborative relationship between all kinds of actors. To address this imprecision, various organizations have developed definitions of partnerships. For example, a partnership between the United Nations and non-State actors has been defined as:

> ... a voluntary and collaborative agreement between one or more parts of the United Nations system and non-State actors, in which all participants agree to work together to achieve a common purpose or undertake a specific task and to share risks, responsibilities, resources, competencies and benefits.[24]

Partnerships between or among Governments, the private sector, civil society and international organizations can be defined in a similar way.

36. The key features of such definitions often include aspects such as mutual dependency in sharing risks, responsibilities, resources, competencies and benefits; working together under a shared process of decision-making and joint problem-solving; voluntary partnership formation based on choice, not on regulation or coercion; joining of forces where the sum of the results of the partners working together is greater than the sum of the partners working individually; and sharing competencies and resources.

37. Social partnerships can take on different forms at different times. However, successful partnerships for social development, at any level, have a minimum number of "musts". These usually include answering basic questions such as: What is the advantage of forming a partnership compared to other mechanisms, such as contracting, purchasing or public sector provision?; Who is the target group and who are the partners?; Why is the partnership being formed?; What is the purpose of the partnership and what are its priority objectives?; What is expected of each partner, and what does each partner expect to get out of the partnership?; How will the partnership activity be carried out?; Is it working? Making the partnership work often requires strong leadership, positive interorganizational dynamics and effective conflict management skills.

B. Partnerships for social development at the domestic level: the public sector, civil society and the private sector

1. The public sector

38. Owing to increasing recognition that centralized social policy and programmes are not always optimal, Governments have decentralized and "de-bureaucratized" many public sector programmes and have begun to look for partners in these fields. In cases where Governments are democratic, corruption-free and transparent, a foundation is in place for building successful partnerships. Without these fundamental characteristics, successful public sector partnerships with other actors in social development are less likely.

39. Although acting alone is increasingly seen as a non-viable option, the public sector remains of vital importance in promoting innovations in social policies and programmes, which it can bring about by providing seed money and by stimulating and supporting social research and pilot projects. Public sector partnerships with civil society and the private sector can play an important role in these innovations. Like successful business enterprises, successful Governments invest in new ideas and technologies. In the area of social development, in most countries only the public sector has the resources, the wherewithal and the commitment to carry out initiatives on a large scale.

2. Civil society

40. The most common form of partnership in social development has been between the public sector and civil society, especially the public funding of NGOs. Through a wide range of projects, public funding goes to civil society for implementation and management of social programmes and community development projects. With 50 per cent or more of the resources at the disposal of civil society currently coming from public budgets in many countries, public sector and civil society partnerships are likely to remain the most important form of social development partnership for the foreseeable future.

41. Because of its interests, commitment, local knowledge and creativity, civil society is often a fount of social innovation and can be seen as taking on a role of "social entrepreneur", thereby making this sector extremely valuable for advancing social development. Civil society often looks for ways to engage the public and private sectors in expanding innovations to a larger scale.

42. Civil society varies greatly in scope and influence from country to country. Strengths of civil society include local legitimacy, responsiveness to local conditions and flexibility. Weaknesses may include limited resources and lack of harmonized or professional standards. The civil society sector can by itself be very effective in small, local projects, but not necessarily in large projects because it often lacks large independent resources. Thus, civil society organizations typically seek partnerships with Governments and the private sector to obtain those resources.[25]

3. The private sector

43. Compared to partnerships between the public sector and civil society and with the exception of the important partnerships between the private sector and trade unions, social development partnerships between the private[26] and public sectors or with civil society entities have been, by and large, less common, smaller in scope and of shorter duration. The private sector is still very poorly represented in partnerships for social development for several reasons, including lack of information, poor recognition of the importance of its role as a partner and doubts, mainly from the social sector side, as to the added value of networking with the private sector. While interest and experience in partnerships with the private sector have grown substantially, there is still a lack of analysis of the opportunities and risks involved.

44. In general, partnerships with the private sector have involved donations and engagement in particular projects rather than sustained engagement and long-term commitment. A typical corporation spends only a very small fraction of its profits on community projects and philanthropy. While such spending is not unimportant, to date the total resources committed have been limited. Since the first responsibility of business is to generate profits for its owners and investors, it is unrealistic to expect the private sector donations to replace the resources or activities of the public sector and civil society to any large extent.

45. There is nonetheless a vast and untapped potential for social development partnerships with the private sector, and ways to create more partnerships are being explored, including by the private sector itself. To promote social development partnerships with the private sector, and to tap its strength, the public sector may use

a number of possible tools, including norms, laws and regulations, financial incentives and targeted spending.

46. The private sector can engage in social partnerships through the provision of goods and services directly related to social development, such as housing, financial development and services, health, education and training and environmental protection. Many social development projects are small-scale and are struggling for financial support. In opening up social development to more investment from the private sector, a large potential may be tapped, allowing businesses to respond to existing markets and to achieve gains by scaling-up.

47. There are, however, considerable risks involved in introducing market mechanisms in areas such as health, education and training, especially with respect to goals of equity, quality and cost containment. Since the aims of the public and private sectors are usually quite different, the public sector needs to analyse the costs and benefits of such partnerships in the wider context of public interest, public social goals and the integrity of public policy and the public sector. The advantages and disadvantages of engaging in partnerships with the private sector, including the safeguards needed to ensure public sector integrity, should be compared to other mechanisms, including contracting, purchasing and public sector provision.

C. Partnerships at the international level

1. United Nations partnerships

48. The United Nations has been engaged in exploring and initiating partnerships, in particular with the private sector.[27] The United Nations Fund for International Partnerships (UNFIP), set up in 1998 as the operational arm of the Secretary-General's partnership with the United Nations Foundation (UNF), a public charity responsible for administering Robert E. Turner's $1 billion contribution in support of United Nations causes, is a pertinent example.[28] The mission of UNFIP comprises two major tasks: to serve as the interface between the United Nations Foundation and the United Nations system; and to promote new United Nations partnerships and alliances with a variety of sources, including companies and foundations, as well as bilateral and multilateral donors, in furtherance of the Millennium development goals. The Foundation and the Fund support projects in four priority areas: children's health; population and women; the environment; and peace security and human rights. As of December 2001, both the Fund and the Foundation have allocated over $420 million for a total of 223 projects distributed in 124 countries and implemented by more than 30 United Nations entities.

49. Another example of a recent United Nations partnership is the Information and Communication Technologies Task Force, established by the Secretary-General in November 2001 in response to a request by the Economic and Social Council. The purpose of the Task Force is to provide leadership in formulating strategies for the development of information and communications technologies at the service of development with the aim of bridging the digital divide. The Task Force is a strategic partnership between the United Nations system, private industry and financing trusts and foundations, donors, programme countries and other relevant stakeholders in accordance with relevant United Nations resolutions. The Task Force is the first body created by an intergovernmental decision of the United Nations, by means of a Ministerial Declaration of the Economic and Social Council in July

2000,[29] in which all members, representing Governments, the private sector, civil society (including not-for-profit foundations, NGOs and academia) and organizations of the United Nations system, have equal decision-making power.[30]

2. Towards transnational policy for social development: State to State partnerships

50. Until recently, the pursuit of social policies has been almost exclusively national. However, the European Union, perhaps more than any other grouping, has begun to wrestle with the enormous challenges of integrating social protection and provision among nation States.

51. In addition to the long-standing endeavours in the European Union, one prominent example of a recent partnership among Governments is the New Partnership for Africa's Development (NEPAD), which was adopted by the Assembly of Heads of State and Government of the Organization of African Unity (OAU)[31] meeting in July 2001 and launched one year later. This is an African-led, -owned and -managed partnership initiative among African Governments, which sets out a continent-wide development programme, including several provisions for social development. The stated long-term objectives of the New Partnership are to: "eradicate poverty in Africa and to place African countries, both individually and collectively, on a path of sustainable growth and development and thus halt the marginalization of Africa in the globalization process"; and to "promote the role of women in all activities".[32] Through NEPAD, African government leaders have agreed to take joint responsibility, inter alia, for: strengthening mechanisms for conflict prevention, management and resolution; promoting and protecting democracy and human rights; restoring and maintaining macroeconomic stability; as well as taking action to strengthen legal frameworks and working to achieve the international development goals.[33] NEPAD recognizes that there have been past attempts to set out continent-wide development programmes that have been less than successful, but it also argues that today there is a new set of circumstances conducive to integrated practical implementation, a key feature of which is Africa's willingness to be the lead agent in its own transformation rather than the passive object of concern to the international community.[34]

D. Practical aspects of forming effective partnership

1. Some principles for successful partnerships

52. Experience has shown there are some principles that can be used for forging successful partnerships. These include: finding a catalyst (someone to initiate and set in motion the process of partnership); emphasizing areas of convergence or congruence; making the differences of opinion explicit; decisions, recommendations, proposals and programmes; and addressing the importance of the process by which a partnership is formed.

2. Lessons learned from recent experiences with social development partnerships

53. In many areas and for many organizations, partnerships for social development are relatively new and evolving. Some lessons can be learned even at this early stage of recently forged partnerships. At the time of writing the present report, the following six lessons stand out.

54. **Partnerships challenge the partners to think and interact in new and different ways.** A significant aspect of partnership is understanding each other and responding creatively to problems and changes within society in a concerted way. In the most successful partnerships, the partners agree on how to effectively make use of their differences in organizational approaches to meet a common set of objectives. Such partnerships may promote new, unconventional forms of participation, contribution and sharing of responsibility.

55. **Partnership gains may not always be easily quantifiable.** While partners need to agree on how to measure the success of their partnership, some aspects and gains cannot be easily measured. When assessing partnerships for social development, it is important to keep in mind the long-term objectives and desired impacts. The partnership process can be compared to a business entrepreneur who fails several times in the short-term, but each time gains valuable knowledge, using the experience of failure to generate success. An overall assessment of partnership arrangements should, therefore, include a long-term view that goes beyond short-term financial gains. The potential benefits and costs need to be analysed, within the time frame involved, in terms of both public interest and potential societal gains.

56. **There is no one-size-fits-all partnership model.** Different socio-economic, cultural and political challenges require different responses. Partnerships should be flexible enough to take into account the cultural aspects, needs and desires of the partners and beneficiaries.

57. **Social partnerships can emerge either in response to, or in anticipation of, social challenges.** Many partnerships have arisen as a consequence of shortcomings or failures in social support systems. For example, partnership initiatives have emerged to address local social problems, such as the exclusion of marginalized groups from the labour market. Others have been undertaken to ensure that problems of social exclusion do not occur. For example, partnerships have been created among local governments, NGOs and the private sector to avoid the emergence of racist attitudes towards newly arrived immigrants. Others have sought out a potential new workforce among specific groups in the community who are not necessarily conventional job seekers. In both cases, these partnerships introduced prospects for change that went a long way in achieving desirable outcomes.

58. **Partnerships often involve change.** Partnerships involve understanding and reflecting upon the ability to act in accordance with changes within society and/or organizations, or to catalyse changes to existing circumstances or conditions deemed unsatisfactory. In the abstract, partnerships can be thought of as catalysts, arrangements for experimentation that allow different resources, skills and ideas to be exchanged among the partners. On a more practical level, however, such change can be difficult.

59. **The institutionalization of partnerships is not a precondition for their success.** Notwithstanding UNFIP, the Global Compact or the Information and Communication Technologies Task Force, partnerships do not have to be based upon, or become, formalized institutions or permanent arrangements in order to be successful. The most important issue is whether the partnership attains its agreed upon objectives. Successful partnerships can be temporary and/or dynamic, with new partners joining and others leaving. As problems evolve, or as the understanding of the situation deepens, the focus of partnerships and their

implementation may shift accordingly. Successful partnership activities may or may not be converted into institutionalized forms of operation.

E. Caveats

60. Partnerships for social development present many opportunities. They allow different sectors of society to have access to the comparative advantages of their partners. But partnerships are not a "master key", opening any door and providing solutions to all challenges. Nor should they be considered a replacement for multilateral efforts in social development. Successful partnerships require: a detailed understanding of mutual expectations; resources; organizational structure; and an agreed upon distribution of power and responsibility. A number of caveats should be borne in mind.

61. One important caveat is the legal and constitutional aspect of close or informal relations between the public and private sectors, particularly in terms of public regulation. Special consideration must be given to how a partnership may affect the public sector regulatory framework and the enforcement by the public sector of regulations governing the private sector. It is also important that public scrutiny, transparency and accountability be maintained in public/private partnership arrangements.

62. Another caveat is that partnerships often exact large costs in time and energy, otherwise known as high transaction costs. Productive partnerships require a shared process of design and decision-making, which is often time-consuming. Given the importance and desirability of forging partnerships in a transparent and democratic manner, high transaction costs are often unavoidable. As it is not feasible for entities to engage in every possible partnership, when engaging with potential partners, decisions must be taken with respect to benefits and costs, short-term versus long-term implications and potential impact on social development.

63. In addition, there is the caveat that not all of the partners have equal power and influence. There are the dangers for civil society organizations in losing autonomy by being controlled or bought off by the public sector or by a private sector company, whereby independent organizations can become quasi-governmental or serve business interests. If this occurs, they may represent local interests less successfully and play less of an advocacy role.

64. Finally, there is the caveat that, as new social development partnerships emerge, the partnerships between government and the private sector should not necessarily imply privatization. The sometimes difficult processes that have accompanied privatization policies in recent years have often not resulted in increased levels of social development. While the private sector has a vital role to play in invigorating economies, privatization without due care for social imperatives can have a negative impact on social services, particularly for poor people. Clearly, the private sector cannot be expected to replace other key actors in social development, most notably the State. Each sector brings unique strengths that, in combination, can lead to creative and effective strategies.

IV. Social responsibility of the private sector

65. The private sector has been approached for its cooperation in promoting and implementing measures for social development. Concerns surrounding issues such as the impact of the private sector on public policy, the environment and working conditions in export-related industries of countries hosting transnational corporations have led to demands for greater transparency, accountability and acceptance of responsibility by the private sector.[35] In response, there is a growing interest within the private sector in contributing to social development and environmental sustainability.[36] Many decision makers in the private sector also recognize that the benefits to their companies of assuming responsibilities in these areas exceed the costs.

66. National and international cooperation from the private sector has also been encouraged and required because of what has been referred to as government and institutional deficits. This can occur at the national level because of lack of information as well as lack of government capacity or resources. It is also argued that there is a governance deficit at the international level, as there is no international government to deal with international problems, but rather a series of conventions, treaties and agreements, the implementation and regulation of which remain at the national level. These deficits can make it difficult for Governments to effectively address existing social problems or to promote broad-based development.

67. As a result, the social responsibility borne by the private sector is now seen as an important element of a more cohesive society geared to eradicating poverty and combating social exclusion. A private sector that sees itself as having a broader social responsibility, whether represented by large companies or by small and medium-sized enterprises, can make an important contribution to social progress and the resolution of social problems.[37]

A. Approaches to the social responsibility of the private sector

68. Corporate social responsibility is a widely used concept to describe specific decision-making policies of the business community that are: linked to ethical values; in full compliance with existing legal requirements; and show respect for people and the priorities of local communities, including environmental protection. This social responsibility, combined with corporate responsibility to a range of stakeholders, notably consumers, employees and their representatives, investors and shareholders, is assessed in terms of meeting a growing range of standards.

69. Corporate citizenship entails a similar approach, and is often used interchangeably with corporate social responsibility, although, it is potentially wider in scope, implying an active role for private sector entities as "citizens", having both rights and responsibilities. In addition to adopting the business policies and practices of corporate social responsibility, corporate citizenship is geared, in particular, to maximizing private sector contributions to social development without undermining sound business practices. The concept of corporate citizenship goes beyond focusing on compliance, responding to external scrutiny or simply minimizing negative impacts, thereby engaging the private sector in a more proactive way to actively search out and pursue ways to promote social development.

70. While there is a growing awareness of and participation in these approaches by the private sector, the number of businesses throughout the world that are fully integrating and implementing them remains relatively small. Many managers and shareholders have yet to be convinced that these approaches are more than a question of corporate image or that fully integrating policies on social involvement into corporate policies will not hurt profits or shareholder value. One of the key challenges is to find common ground between high standards of social responsibility and accountability on the part of businesses on the one hand, and business competitiveness and profitability on the other.

71. There has also been, particularly during the 1990s, a proliferation of voluntary corporate codes of conduct, ranging from vague declarations of business principles applicable to their international operations, to more direct efforts at self-regulation, focusing on social conditions and the environment. The drafting of these codes has brought together a wide range of stakeholders likely to be affected by their adoption. In many cases, implementation of these codes remains relatively limited. There is also the risk that these codes may be seen as something more than what they really are, thus deflecting criticism and reducing the impetus for external regulation. It is thus particularly important in the formulation of development strategies to ensure that codes complement, but do not substitute for, appropriate government legislation.

72. The voluntary approach to codes of conduct has evolved in recent years and has assumed new forms that attempt to overcome some of the limitations of older codes and other self-regulatory initiatives. One approach involves the emergence of "multi-stakeholder initiatives", whereby NGOs, multilateral and other organizations encourage companies to participate in schemes that set corporate social and environmental standards, monitor compliance, promote social and environmental reporting and auditing, certify good practice and encourage stakeholder dialogue and an awareness of social impact.

73. Given the complexity of multi-stakeholder initiatives in terms of reporting, auditing, monitoring and certification, other approaches continue to evolve, such as "complaints-based systems", under which there are procedures and institutions to detect breaches of agreed standards. Such systems can assume numerous institutional forms involving, for example, judicial procedures, global collective agreements between companies and trade unions and NGOs that attempt to "name and shame" companies responsible for specific abuses. Several multilateral organizations, such as the World Bank, the International Labour Organization (ILO), the Organisation for Economic Cooperation and Development (OECD) and the secretariat of the North American Free Trade Agreement, have established complaints procedures. In practice, however, these tend to be rather weak. While there are no complaints-based procedures within the United Nations system, some have argued that there may be scope for developing one via the United Nations human rights machinery.[38]

74. The United Nations has been involved in the area of the social responsibility of the private sector in other ways, the most prominent of which is the United Nations Global Compact. The Global Compact is a voluntary corporate citizenship initiative based on nine principles derived from a universal consensus based on the Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the Rio Declaration on Environment and Development. The nine

principles state that businesses should: (a) support and respect the protection of internationally proclaimed human rights within their sphere of influence; (b) make sure that they are not complicit in human rights abuses; (c) uphold freedom of association and the effective recognition of the right to collective bargaining; (d) uphold the elimination of all forms of forced and compulsory labour; (e) uphold the effective abolition of child labour; (f) eliminate discrimination in respect of employment and occupation; (g) support a precautionary approach to environmental challenges; (h) undertake initiatives to promote greater environmental responsibility; and (i) encourage the development and diffusion of environmentally friendly technologies.

75. For a company to be considered a participant in the Global Compact, it must: (a) send a letter from its chief executive officer to the Secretary-General expressing support for the Global Compact and its nine principles; and (b) provide, once a year, a concrete example of how the company is internalizing one or more of the nine principles into management practices and policies. Companies have the added opportunity of participating in a number of initiatives and programmes sponsored by the Global Compact. While NGOs and other non-business participants are not required to submit an example annually, they are asked to participate in other modes of engagement, including partnership projects and global policy dialogues. Since its official launch in July 2000, the Global Compact has evolved into a multi-stakeholder network composed of United Nations agencies, the private sector (both companies and business associations), trade unions, NGOs and academic institutions.[19]

B. Social responsibility of the private sector and developing countries

76. Discussions about private sector social responsibility are often framed in the context of developed countries or the behaviour of corporations based in developed countries. Because of this, and because of the pressing needs of poverty eradication, employment creation and the delivery of social services, the view of many in developing countries is that the theme of the social responsibility of the private sector is an "issue of the affluent", or of the "rich North" rather than of the "poor South". There is also concern that the use of social responsibility principles and policies could be used against developing countries as a type of disguised protectionism, for example through increased labour or environmental standards, hence raising the cost of doing business in their respective countries and making their exports less competitive and their countries less attractive for foreign investment.

77. Notwithstanding the above, the social responsibility of the private sector is a universal notion applicable to all countries, including developing countries, especially in view of its importance and large potential for social development. It is important, therefore, that, in discussing the social responsibility of the private sector, consideration be given to country-specific circumstances, including particular economic, institutional, cultural and other conditions. Following such considerations and assessments, firms would be expected to move towards best attainable practices in their line of business, taking into account the specific circumstances in their country and/or the context of the geographical region in which they operate.

78. In developing countries, private sector social responsibility is largely concerned with community development projects or corporate social investment, and many companies are still learning about and examining the implications of such concepts as corporate social responsibility and corporate citizenship. In addition, in order for corporate social investment to be relevant, investments should be consistent with local and national development programmes and should result in development projects that are sustainable, serve community goals and transfer skills to the community. Partnership and ownership roles have to be clarified so that partnership projects are not driven solely by company goals.

79. The urgency of resolving economic and social development issues and problems in developing countries requires that debates about public and private sector roles be focused on the building of effective partnerships between these two sectors. This is the case with social protection, in particular, where there has been a continuing debate about the role of the private sector, especially in the financing of delivery of social protection and the provision of social services. Major social problems that demand concerted action and may benefit from public/private partnerships include, but are not limited to, reducing high levels of illiteracy, promoting employment and training activities, preventing crime, violence and drug trafficking and combating the HIV/AIDS pandemic.[40]

C. Socially responsible investing

80. Defined as the integration of social, ethical and environmental values into investment decisions for the purposes of bringing about positive social and environmental change, socially responsible investing is based on the same values that underlie the United Nations Declaration on Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the United Nations Global Compact, the Convention on Biological Diversity, Agenda 21 and the OECD Guidelines for Multinational Organizations. This type of investing is carried out by investors who seek to influence corporations to perform in a socially, ethically and environmentally responsible manner.[41]

81. One way that socially responsible investing seeks to influence corporations is through portfolio screening, which evaluates investment decisions on the basis of criteria such as employee relations and records of community involvement and environmental impacts. Corporations that meet the screening criteria are rewarded by attracting investment in their stocks and by an enhanced corporate image among both investors and consumers. This type of investing also seeks to influence corporations through shareholder advocacy, which involves exercising the full rights of stockowners to influence how a company is run by engaging management in a dialogue on issues of concern as well as by filing, co-filing and voting on shareholder resolutions in order to direct companies towards socially and environmentally responsible practices.

82. Socially responsible investing can entail community investing as well, that is, generating resources and opportunities for economically disadvantaged people in communities under-served by traditional financial institutions. Community investors make it possible for organizations to create jobs, to provide financial services to low-income individuals, to supply capital to small businesses and to provide affordable housing and community services.

83. While small compared to the traditional investment market in developed market economies, where the majority of socially responsible investing is carried out, this form of investment has been growing rapidly, both in overall assets and in the number of investment choices available. Socially responsible investing also continues to evolve, both in terms of the number and types of portfolio screenings used as well as in terms of the impact of shareholder advocacy. There is increasing evidence that social, ethical and environmental screening of investment portfolio decisions does not have a negative impact on the financial performance of companies.[42] Research is also being conducted to determine whether screened portfolios outperform unscreened portfolios over the longer term. As awareness of socially responsible investing practices has increased and has gained recognition and popularity, the attitudes of companies have changed, resulting in more room for dialogue between management and investment managers and investors who use such practices.

D. The role of government

84. Increased involvement of the private sector in social development does not, of course, absolve the State from its responsibilities. Private sector social responsibility is not a substitute for effective government and a well-functioning public sector; it should be seen as a potentially useful complement. While the private sector has comparative advantages in the private sphere, it cannot claim the legitimacy or authority of a democratically elected government. Neither can it assume the broader scope of responsibility of Governments, since its fiduciary obligations are to its shareholders.

85. Thus, while social responsibility of the private sector offers much promise for social development, it is not a panacea. In the final analysis, business is motivated by profit. The challenge is to reconcile the high standards of social responsibility and accountability on the part of businesses with their interest in competitiveness and profitability.

86. Both the public and private sectors are in agreement on the need for government involvement and effective governance. The role of the State in creating an appropriate enabling environment is especially important in the promotion of social responsibility of the private sector.

87. The creation of an appropriate enabling environment entails addressing the role of the State vis-à-vis markets and privatization. The increased reliance on market forces and the privatization of State assets has paradoxically made the role of the State more, rather than less, important. Relying on market forces and embracing privatization require strong oversight and institutional support by the State. Its role is essential in policy formulation, creating institutional frameworks, enacting legislation, adopting tax incentives and disseminating public information, in particular if it wants to promote greater participation of the private sector in contributing to social development. Reviewing existing regulations or institutions and how they need to be changed or adapted to new circumstances, as well as identifying missing regulations and justifying their introduction, are some of the crucial tasks faced by the State.

88. Governments also have a role to play as facilitator, including the creation of conditions to make self-regulation viable, effective and robust. For example, public

policy can influence and help shape market processes and voluntary action in ways that enhance the social responsibilities of the private sector. This is particularly so in the context of a governance deficit, in cases where there is no Government, such as at the international level, or where government at the local or national level is, for whatever reason, weak and ineffectual. In this regard, globalization has had a profound impact on the relationship between government and business, as government is constrained in its ability to handle all the complex issues of corporate regulation, including laws promoting competition, without recourse to international and intergovernmental institutions.

89. Finally, in the field of policy-making, there is a need to identify the most desirable and decisive policies that maximize their intended effect while minimizing and mitigating any negative consequences. In this context, policy makers and policy advisers need to be aware and informed of the timing and sequencing of policy implementation. Recommending or attempting to implement too many policies at once, or regulating too soon or too late with respect to the actual conditions, can lead to a loss of credibility or much weaker than desired results.

V. Impact of employment strategies on social development

90. National employment strategies should include a number of key elements that can improve the functioning of the labour market and the economy as well as promote productivity, employment and output growth. While a successful national employment strategy can contribute to macroeconomic growth, growing integration of the world economy has both reduced the autonomy and increased the importance of macroeconomic policy choices by Governments. The basis for higher economic growth must be macroeconomic stability, since price and exchange-rate stability and low interest rates are essential for creating a healthy investment climate, which is in turn vital for employment growth. However, in pursuit of macroeconomic stability, cutbacks in public expenditures on which future growth and social development depend, including health care and education, should be avoided. In particular, in countries with slow economic growth, endemic poverty and high unemployment, fiscal and monetary targets should be linked, as far as possible, to targets for employment growth and poverty reduction.

91. Given the extent to which most developing countries rely on external trade and sources of financing, international policies that influence capital flows, access by developing countries to the markets of developed economies and terms of trade will have significant impact on the domestic economies of those nations. In general, greater international coordination of economic policies is needed: in a world in which policies of major economies can have serious spillover effects on other economies, irrespective of how sound their macroeconomic management is, solutions must come from both the national and international levels. International cooperation is needed to address, for example, the problems of the volatility of financial markets and the promotion of macroeconomic stability through development aid, debt relief and trade.

92. Globalization has led to an increase in migration of workers in recent years. Conservative estimates place today's migrant worker population at between 100 to 120 million people, as more States admit foreign labour to augment their human capital and to compensate for the ageing of their populations. Immigration policies

in developed countries increasingly favour skilled workers, a fact which has resulted in a favourable global labour market for the highly skilled. This trend has serious implications for social development in "donor" and "recipient" countries. While "recipient" countries grapple with the problems associated with the full economic, social and political integration of their immigrant communities, "donor" countries have to deal with a "brain drain" of their skilled work force, as well as a host of other associated problems which bedevil their efforts at economic and social development. There is clearly an urgent need for international cooperation to ensure that national employment strategies are not derailed by labour movement at the global level.

93. The way an employment strategy is designed and implemented can have a profound effect on how rapidly and in what manner social development proceeds. An assessment of the impact of employment strategies on social development needs to go beyond evaluating the direct contribution to individual or household income, to include the type, nature, quality and distribution of employment generated.

94. In developing countries, it is particularly important that such strategies recognize that employment is central to poverty reduction and that employment policies should assist the working poor more directly. In this regard, initiatives that increase the productivity and income-generating capacity of the working poor, particularly in the informal economy, are important components of an employment strategy. For instance, the extent to which an employment strategy generates skilled or unskilled jobs can affect the sustainability of employment and its potential impact on social development.

95. In order to promote broad-based social development, there is a strong case to be made for ensuring that job creation is targeted. Most new jobs are not created for women, young people, older persons or persons belonging to vulnerable groups. Employment strategies that target equality of opportunity in employment for women are especially important, as are employment strategies that take into consideration the regional distribution of employment, as well as the division of jobs between rural and urban areas, as these can be important determinants of poverty reduction and social development.

96. In this regard, the elimination of all forms of discrimination in the labour market is a key element of any employment strategy. Discrimination that restricts access to education, the labour market, choice of occupation or credit undermines output and productivity growth by preventing the most productive job matches from occurring. Discrimination that induces severe income inequality can lead to slower economic growth. Experience shows that reducing or ending discrimination in education against women, for example, tends to lead to higher female earnings, greater investment in healthier and better-educated children and a lower rate of population growth.

97. Another important element of an employment strategy is to promote employability and adaptability in the labour force. Education increases productivity and the ease with which new technologies can be absorbed. Investing in people, especially women, and encouraging people to invest in their own education and job skills can not only increase the rate of economic growth but also expand the opportunities of workers beyond the narrow range of occupational choices they now face. This, in turn, facilitates people's ability to adapt to change and improves the functioning of the labour market. Employability is also enhanced by basic social

protection. An employment strategy that includes a focus on access to health care is one that promotes employability, since illness is a major drain on growth and employment. In short, the existence of social protection programmes facilitates greater labour mobility.

98. Promoting decent work as a means of improving the efficiency of labour markets and, in this way, enhancing overall economic and employment performance, is finding growing support. ILO argues that the key policy challenge to achieving the threshold of decent work is the promotion of core labour standards as set out in its Declaration on Fundamental Principles and Rights at Work. The Declaration calls for freedom of association and the right to collective bargaining, an end to child labour, forced labour and discrimination of all types. In this regard, decent work would also involve extending the scope of social protection to those presently uncovered, through the extension of public schemes or the development of innovative arrangements based on community or group support systems.

99. While Governments are responsible for employment policy and for placing employment at the centre of economic and social policies, social partners, especially employers and trade unions, can play a crucial part in bringing about the achievement of a national consensus on how such policies are designed and implemented, both nationally and locally. Cooperation is important to ensure that employment strategies are designed and implemented in order to promote poverty reduction and social development and to minimize the environmental consequences of economic activity. Social dialogue, in the broadest sense, should be the cornerstone of employment strategy formulation.

100. Social dialogue requires a vibrant private sector. An important aspect of any employment strategy, therefore, is the promotion of entrepreneurship and private investment to tap the private sector as the main provider of new jobs in the future. To support the role of the private sector in this regard, employment strategies need to put in place and/or support an educational system and policy environment that promotes a culture of entrepreneurship and a business climate that encourages the start-up and growth of enterprises.

101. In the developed market economies, intensified international competition, skills-challenging technological changes and labour market rigidities have been considered important factors in explaining high unemployment rates and growing insecurity among workers. The extent to which these factors have contributed to the loss of jobs or slowed down the creation of new employment remains a subject of heated debates. For example, many of the features of the labour market that are being blamed for the rise in unemployment, such as unemployment insurance systems, dismissal legislation or minimum wage regulation, also existed in the period of full employment. There has not been a uniform rise in the degree of labour market rigidity to plausibly account for the increase in unemployment in some countries or to explain variations in unemployment rates across countries. It is also increasingly recognized that some features of labour market regulation (e.g., level and duration of unemployment benefits and the degree of coordination in wage bargaining) are linked to the level of unemployment, while others (e.g., employment security legislation and payroll taxes) are not. Overall, a wider approach that recognizes the role of other factors, including macroeconomic policy and distortions in product and capital markets, as well as the importance of social dialogue is needed.

102. At a time of stagnating public sector resources and high unemployment in many developed market economies, NGOs have attracted much attention as social services providers as well as significant employers in their own right. While this sector has become an important partner to the State and the private sector in the provision of social, health and cultural services, and in education,[43] it is unrealistic to expect it to reduce unemployment through creation of jobs on a massive scale. While the sector has been an important source of innovation for the provision of social services, its capacity to expand may be limited and highly dependent on public funding. Existing evidence refutes suggestions that civil society and non-profit organizations could be turned into a major source of employment in community and personal services or could replace Government in the provision of social services.[44]

VI. Policies and role of the international financial institutions and their effect on national social development strategies

A. Evolution of the role of the international financial institutions

103. By providing large-scale development assistance coupled with well-defined policy advice, the international financial institutions, in particular the International Monetary Fund (IMF) and the World Bank, have a profound impact on socio-economic development of the countries in which they operate. Comprehensive and multi-faceted, the policies advanced by these institutions are mostly of an economic nature, underpinning specific conditions to be met by borrowers in the developing countries and countries with economies in transition. While the conditions have never been static, reflecting changing priorities of these institutions in policy conceptualization and implementation, conditionality remains not only one of the main pillars of their lending activities, but a source of considerable political controversy and debate in their relations with borrowers.

104. Since the 1980s the influence of the international financial institutions on policy-making at the national level, already highly visible in the periods of stabilization programmes and "structural adjustment reforms", has grown considerably, embracing more areas than before. This expansion can be seen, for instance, in the increasing numbers of "performance criteria" on which the provision of loans are made conditional: in a sample of 25 countries, there were about 6 measures in the 1970s, 10 in the 1980s and around 26 measures in the 1990s.[45] The increase in conditionalities has significantly broadened the oversight of the institutions within the borrowing countries beyond the regular monitoring of specific macroeconomic policy targets in the context of a crisis, or of specific project loans. Both institutions now negotiate with Governments regarding a whole gamut of socio-economic policies, recently encompassing policies on HIV/AIDS, human rights violations, gender discrimination, environmental degradation, corruption, drug trafficking, and good governance. It remains to be seen how the traditional agenda such as water resources, infrastructure development, health and family planning and education will survive, and to what extent the institutions will be effective in carrying out their new tasks.[46]

105. Critics have argued that IMF and the World Bank were neither created nor structured to undertake such wide-ranging activities. At their inception they were

entrusted to deal with a narrow, clearly stipulated range of technical issues, and for that reason precisely it was decided that they should only deal with their member countries through national treasury offices, finance ministries, central banks or the like and that only representatives of those agencies could sit on the Boards of IMF and the World Bank.[47] As a result of the broadening and deepening of the work of both the Fund and the Bank, both are now making finance ministries or central banks accountable for policies that normally fall under the purview of other agencies, for which those other agencies are domestically accountable. While different agencies within a Government compete for and debate priorities and goals, negotiations with the Fund and Bank can overshadow these debates. There is, therefore, a risk that broad areas of policy may become subject to the priorities and analysis of the central banks and/or finance ministries, even though those institutions may not have expertise in "social matters", including health, education and welfare provision.[48]

106. Whether or not structural adjustment policies have had a perceptible impact on poverty reduction throughout the developing world, and particularly in Africa, remains a topic of controversy. During the 1980s, per capita GDP in Africa declined by 1.3 per cent annually, and during the 1990s by about 0.6 per cent.[49] Furthermore, over the period from 1990 to 2000, the proportion of persons below the internationally established poverty line of one dollar a day remained unacceptably high, at around 48 per cent in Africa and 23 per cent for the entire developing world. Though poverty elsewhere, for example in East Asia and the Pacific, has shown a considerable decline, for the majority of least developed countries economic growth and poverty reduction remain elusive goals.[50] The continuation of low growth and the persistence of wide-spread poverty necessitate a concerted response that goes well beyond the scope of the structural adjustment policies to include coherent policies as well as the concept of good governance in all countries.

107. At both the World Summit for Social Development and the twenty-fourth special session of the General Assembly, Member States made a commitment to ensure the inclusion of social development goals in structural adjustment policies. At the same time, Governments increasingly demanded more ownership and a greater role in the management of policy reforms. As a result, over the past few years the World Bank reaffirmed its mission of poverty reduction and achieving sustainable development. In the context of a comprehensive development framework, social considerations have been progressively recognized as a critical element of macroeconomic reforms. Subsequent reform programmes have become more attuned to the needs of protecting social expenditures, including specific safeguards for expenditures on basic health and education services. At the same time, social impact analysis and participation has been given more attention in the operational work of the World Bank.

108. Some crucial aspects of the social impact of the international financial institutions on national development strategies were covered in the report of the Secretary-General on the integration of social and economic policy submitted to the fortieth session of the Commission for Social Development.[51] The present report expands on that discussion by addressing in more detail some preliminary results of a recent initiative by the IMF and the World Bank to bring about debt relief and produce faster economic growth and poverty reduction, the poverty reduction strategy papers.

B. Poverty reduction strategy papers

109. Poverty reduction strategy papers are primarily meant to accomplish two things: to ensure a greater ownership, and participation, by the countries themselves, including government and civil society; and to place poverty reduction at the core of policy analysis and prescription.[52] In return, the international financial institutions are committed to providing concessionary finance in support of the papers, while encouraging greater coordination and alignment of policies by bilateral donors. To date, progress in the introduction of the strategy papers has been slow. At the end of 2002, there were 19 full papers and 29 interim papers awaiting completion. The list of countries is given below:

List of countries having completed poverty reduction strategy papers and/or interim poverty reduction strategy papers

Type of document	*Countries*
Completed	Albania, Bolivia, Burkina Faso, Ethiopia, Gambia, Guinea, Guyana, Honduras, Malawi, Mauritania, Mozambique, Nicaragua, Niger, Rwanda, Uganda, United Republic of Tanzania, Viet Nam, Yemen and Zambia
Interim	Armenia, Azerbaijan, Benin, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, Democratic Republic of the Congo, Côte d'Ivoire, Djibouti, Georgia, Ghana, Guinea-Bissau, Kenya, Kyrgyz Republic, Lao People's Democratic Republic, Lesotho, Madagascar, Mali, Mongolia, Pakistan, Republic of Moldova, the former Yugoslav Republic of Macedonia and Yugoslavia, Sao Tome and Principe, Senegal, Sierra Leone, Tajikistan, United Republic of Tanzania

Source: World Bank web site http://worldbank.org/poverty/strategy/boardlist.pdf.

110. The slowness of the process of introducing the poverty reduction strategy papers has convinced the international financial institutions to accept requests by countries to access concessionary loans before the adoption of a full strategy paper. Although such early approval and disbursement of loans may be taken as a positive attribute, it may undermine the other requirements, namely the need for a thorough analysis and full participation by civil society before endorsement of the paper. In addition, there is no guarantee that, if the interim paper is designed expeditiously with the purpose of securing additional loans, its main objective, that is, to be participatory and inclusive, will not be significantly compromised. For example, in the case of Bangladesh, the process of formulating the interim paper started in November 2000, yet, by the beginning of 2002, it was not completed and consultations with civil society only began in January of that year.[53] This may demonstrate that Governments lack the in-house capacity to formulate the papers, and may have to rely on the services of consultants, as well as limited participation of the civil society in the preparation of the papers.

111. At this early stage, the poverty reduction strategy papers give rise to both questions and concerns. The questions have to do with the role of the financial institutions, the inclusiveness of the process of preparing the papers, and the

mechanisms for monitoring and realigning policies if the objectives of poverty reduction are not met. For example, can the international financial institutions provide advice — thereby becoming involved in the process — without compromising national ownership and the participation of civil society? If civil society is crucial to the participation process, who are its legitimate representatives, and how are their concerns reflected both in the strategy paper and in its implementation? If transparency is a key requirement, should IMF and the World Bank submit their recommendations for discussion at the country level, before being submitted to their Boards for approval? Who undertakes the monitoring of the performance and how is the independence of the monitoring process ensured? What are the right indicators of performance and should these vary according to local conditions or remain constant from country to country? If countrywide or localized indicators are preferred, how are inter-country comparisons on progress to be made or best practices derived? Finally, how are bilateral institutions brought into the process, and what happens if the constituents of these donors do not submit to the requirements and policy conclusions contained in the strategy papers?

112. There are also wider issues at stake. It has been argued that poverty reduction strategy papers are at best the beginning of a process and not a comprehensive response to the challenges faced by developing countries. For example, the Government of India has taken the view that its five-year plan is its definitive document for defining its national poverty strategy and consequently it has not prepared a strategy paper.

113. These wider challenges have been spelled out, for example, in the Millennium Declaration, and go beyond reducing poverty. Without detracting from the centrality of the poverty objective, much more than a poverty reduction strategy paper process is warranted, even where the poverty goal is concerned. For example, in the case of Africa, where the level of poverty is critical, and in places deteriorating, the 300 million people living in abject poverty are unlikely, according to present trends, to be lifted out of poverty in sufficient numbers to make the strategy papers a significant instrument for the fulfilment of the Millennium development goals. Hence, relying on the papers in the context of the development goals and the other commitments made at earlier United Nations conferences and summits and their follow-up processes seems logical. Such revisiting should benefit the process of formulating and implementing strategy papers beyond what they contain today.

114. The World Bank and IMF have acknowledged that plans for participatory processes in developing full poverty reduction strategy papers were generally not well defined. While all interim papers outline some plans for participatory processes for developing full strategy papers, these vary considerably in both quality and coverage. Many countries (e.g. Rwanda, Sao Tome and Principe and Senegal) included only broad commitments rather than details of the planned participatory process.[54] Although, in the case of Bangladesh, consultations with civil society took place, no written inputs were provided to the participants and no documentation of these consultations is available to date.[55] Though the participatory process was, in the main, saved for the preparation of the full strategy paper, the process was even then by no means comprehensive. In a number of cases, participants in the process received little feedback from the organizers as to which suggestions had or had not been incorporated. As the Fund and the Bank have noted, where participation is being undertaken in an ad hoc and fragmented manner, or only to meet external demands, the process may not be viable or effective. The major challenge is to move

away from ad hoc forms of consultation to more institutionalized and systematic forms of collaboration and dialogue.

115. At the World Social Summit (1995) and the twenty-fourth special session of the General Assembly (2000), Member States emphasized the primacy of policies for growth that encompass both social and economic considerations. Gender issues, the importance of building social capital, social inclusion and an emphasis on the composition of public expenditure, with due attention to social objectives, were highlighted. By comparison, as the 2002 IMF-World Bank Review attests, poverty reduction strategy papers are long on description but short on providing directives as to how to raise the status of social objectives and mobilize the necessary resources for their fulfilment. A number of civil society groups have noted that analysis of the impact of the policy actions on the lives of the poor appears to have been limited. A serious omission is the role that gender inequality has played in constraining agricultural growth and rural poverty reduction. Clearly it is necessary to place the strategy papers within a wider context, in which social objectives, the mobilization of funds and the budgeting and allocation of resources underpin the poverty reduction objectives. In this context, the International Conference on Financing for Development at Monterrey provides a useful context and a resource mobilization framework.[56]

VII. Policy recommendations

116. The priority theme of the forty-first session of the Commission for Social Development, "National and international cooperation for social development", is both complex and extremely broad, making the proposal of a set of policy recommendations not only challenging but subject to criticism with regard to any omissions or inclusions. It may be useful to state at the outset that the concept of international cooperation for social development has been less thoroughly thought through than the notion of international economic cooperation, a concept with a long history at the United Nations. Issues such as trade, foreign direct investment, debt relief, capital flows, exchange rate regimes and macroeconomic policies are all part and parcel of international economic cooperation, regarding which standardized rules and regulations have and are being set at the international level.

117. The understanding of international cooperation for social development is altogether different. Social development is largely seen as a national task, supported by the international community mainly by means of aid, capacity-building and technical cooperation, and is often contingent on such matters as good governance, democracy and the rule of law.

118. The objective of the following recommendations (paras. 119.1-119.37) is to show that there is more to the concept of national and international cooperation for social development than meets the eye. Social development is about the end results; it encompasses long-term development objectives. Economic development is largely about the means towards those end results and is generally of a short-term nature. Too often, however, international discourse tends to focus solely on the means, only touching tangentially on the ends. It is hoped that these recommendations will redress this imbalance.

119. While the primary responsibility for development, be it economic or social, rests with national Governments themselves, without international support

underpinning those national efforts, many developing countries and countries with economies in transition will be hard pressed to reach their development objectives within reasonable time frames, including those set in the Millennium Declaration. With this in mind, the following recommendations are submitted to the Commission for Social Development for its consideration:

1. **National and international cooperation for social development should be mutually supportive;**

2. **National ownership of and responsibility for development policies and programmes should continue to be enhanced;**

3. **Governments should avoid adopting approaches to development that reduce national autonomy in social development priority-setting. South-South cooperation should play an important role in this respect by promoting mutual learning among developing countries. Governments should actively seek out opportunities and actively participate in South-South cooperation;**

4. **Transparency in the formulation and implementation of policies, accountability of public authorities and the private sector and participation of labour and other organized elements of civil society in decision-making are critical aspects of good governance and democratic structures and are processes that should be fostered by international and national cooperation for social development;**

5. **Governments should strengthen measures to combat income and job insecurity and their negative social and human impacts;**

6. **In promoting broad-based social development, there is a strong case for ensuring that job creation is targeted. Most new jobs are not created for women, young people, older persons or persons belonging to vulnerable groups. It is especially important that employment strategies target equality of opportunity for women, which can both empower women and produce positive results for social development;**

7. **A key consideration in formulating national employment strategies should be the promotion of entrepreneurship and private sector investment in order to tap the private sector as the main provider of new jobs in the future;**

8. **Strong governmental commitment is required to strengthen national capacity in skills, knowledge and institutions;**

9. **Special attention should be paid to developing the human capabilities of marginalized groups in society;**

10. **The international community should expand learning opportunities and strengthen national capacities for social development and for the formulation of social policies. Development assistance that helps build the recipient country's capacities should be strengthened, including through the untying of aid;**

11. Long-lasting solutions to trade and financial constraints affecting most of the developing countries should be implemented by the international community, taking into account their social development priorities. In this regard, Governments should also strive to acquire strong negotiation skills in their interactions with multilateral and bilateral partners and donors;

12. Building the capacity of developing countries to create effective structures and formulate policies for development is a primary objective of international cooperation. This includes strengthening the capacity of developing countries to participate effectively in the management of the world economy and the globalization process. It also entails strengthening the scientific and technological capacity of developing countries;

13. Donors need to provide cooperation in ways that interfere less with government functions, for example, by using sector-wide approaches and by reducing aid conditionality. Furthermore, aid needs to take local realities into account, as a "one size fits all" approach does not apply;

14. Donor funding for social development should be provided in harmony with recipient government budget cycles. Donors should be encouraged to provide budgetary support as the primary instrument for resource transfers;

15. There is an obligation, for both donors and recipients, to ensure that official development assistance is used effectively. Monitoring and evaluation practices should be strengthened in order to assess such use of official development assistance;

16. Once social development is viewed as a global public good, further efforts should be made to increase the level of resources available through international development cooperation and through increased international private investment backed by guarantees from donor Governments and multilateral agencies;

17. Multilateral organizations should develop more effective, specifically focused strategies and financial packages to assist countries that face catastrophic events and shocks such as wars, financial crises, natural disasters and epidemics, including HIV/AIDS. These strategies should take into account longer-term development needs, within the local context, and should create conditions for poverty eradication and sustainable social development in a democratic context;

18. When periodically reviewing and assessing the effectiveness of their support to country programmes and strategies for social development, international agencies should take corrective action, when necessary, to improve their level of accountability;

19. There should be more systematic integration and involvement of the recipient country in evaluations;

20. International financial institutions should take steps to counterbalance the concentration of private capital flows in a small number of emerging economies; place priority on the provision of additional official development assistance to low-income countries; provide funding to low- and middle-income countries that lack access to global markets; and furnish, in addition to short-term resources, long-term resources to developing countries when financing dries up during times of crisis;

21. International financial institutions should strengthen efforts to ensure that concern for improved social outcomes is incorporated into their policies and into the national policies they support. The poverty reduction strategy paper process currently under way in many countries appears to contribute to those efforts;

22. Concerning poverty eradication, more than a poverty reduction strategy paper process is warranted. A revisiting of the strategy paper process in the context of the Millennium development goals and other commitments made at earlier United Nations conferences and summits and their follow-up processes seems logical. Such revisiting should benefit the process of formulating and implementing the strategy papers beyond the scope of what they contain today;

23. A broader platform is necessary to place the poverty reduction strategy papers within a wider context, where social objectives, the mobilization of funds and the budgeting and allocation of resources underpin the poverty reduction objectives. The International Conference for Financing for Development, held at Monterrey, Mexico, provides a useful context and a resource mobilization framework;

24. Coordination and collaboration among all stakeholders is required for the implementation of development programmes at the international level, taking into account the importance of coherence and complementarity;

25. Development assistance efforts by donors should be coordinated in order to avoid duplication of activities or conflict with different donor priorities in the same field. This also requires the establishment of a coherent development strategy by the recipient Government;

26. There is an urgent need for international cooperation in the area of international migration in order to ensure that national employment strategies are not derailed by the movement of labour at the global level;

27. The complementarities of the work of international agencies should be acknowledged and more fully taken into account so as to strengthen the coordination of their mandates and work as well as to promote partnerships between them;

28. **Governments should establish a supportive and enabling environment for private sector social responsibility requiring that internationally recognized standards of business be upheld. This enabling environment should be established through a legislative and regulatory framework, as well as through promotion of voluntary action on the part of the private sector;**

29. **The private sector should contribute positively to social development through constructive engagement in the community and society, seeking business opportunities that increase inclusion and participation and improve well-being;**

30. **The recent emphasis on the social responsibility of the private sector has to be seen in relation to the growing awareness of the indispensable role of market mechanisms and forces in the process of development and in the context of the increase in the power of the private sector. Corporate social responsibility should increasingly incorporate ethical elements, questions of employment creation and respect for labour standards, as well as observance of tax laws;**

31. **As a basic guide to minimum standards, the private sector should adhere to and apply internationally acknowledged legal norms, treaties and agreements, particularly those of the United Nations, the International Labour Organization and other international bodies;**

32. **Governments should serve as a positive model for the private and civil society sectors by integrating social and environmental standards into their own operational and investment practices;**

33. **Governments should, in partnership with the private sector and civil society, establish transparent mechanisms to manage conflicts of interest and to maintain democratic accountability. The important legal aspect of close or informal relations between the public and private sectors in terms of public regulation must be borne in mind. Special consideration must be given as to how partnerships may affect the public sector regulatory framework and enforcement by the public sector of regulations governing the private sector;**

34. **Social partners, especially employers and trade unions, are crucial in achieving national consensus on how employment policies are designed and implemented. Social dialogue should be the cornerstone of employment strategy formulation;**

35. **A set of international standards for private sector social responsibility, which is universally acceptable yet flexible enough to take into account local conditions and circumstances, is needed;**

36. **The integration of economic and social policies is a desirable prerequisite for the well-being of society as a whole, as underscored by the World Summit for Social Development in Copenhagen and twenty-fourth special session of the General Assembly in Geneva. The harmonization of economic growth and social policies is crucial to successful social outcomes. The United Nations is the place where this confluence of the economic and social spheres can and should**

occur. Therefore, consideration should be given to moving the social agenda items of the Third Committee to the agenda of the Second Committee of the General Assembly;

37. **In order to provide a more focused agenda for the Commission for Social Development, the adoption of a multi-year programme of work should be revisited with a view to replacing it with biennial adoption of the priority theme of the Commission.**

Notes

[1] E/2001/26 and E/CN.5/2001/9.

[2] E/2002/INF/2/Add.2.

[3] The meeting in Havana was organized with the cooperation of the Government of Cuba and the office of the United Nations Development Programme (UNDP) in Havana, and was financed in part by a contribution provided by the Government of the United Kingdom of Great Britain and Northern Ireland. The participants were: **experts**: N'Dri Thérèse Assié-Lumumba (Côte d'Ivoire), Maria Amparo Cruz-Saco (Peru) (Rapporteur), Neville C. Duncan (Jamaica), Philip A. Evans (United Kingdom), Huang Ping (China), Lamiya Morshed (Bangladesh), Saad Nagi (Egypt), Nina Orlova (Republic of Moldova), Ramón Pichs Madruga (Cuba); **observers**: Susan Jacobs (World Bank), Ana Sojo (Economic Commission for Latin America and the Caribbean); **secretariat**: Department of Economic and Social Affairs of the Secretariat, Division for Social Policy and Development: Sergei Zelenev, Wenyan Yang.

[4] The meeting in Copenhagen was organized with the cooperation of the Government of Denmark, with financial and logistical assistance provided by the Copenhagen Centre. The participants were: **experts**: Filomeno S. Sta. Ana III (Philippines) (Rapporteur), Björn Magnus Bunnarsson Furugård (Sweden), Virginia Brás Gomes (Portugal), Erwin Hahn (Chile), Dirk Jarré (Germany), Atle Midttun (Norway), Eeva Ollila (Finland), Mabel Rantla (South Africa), Michael Sherraden (United States of America), Robert Walker (Canada), Neville Ying (Jamaica), Simon Zadek (United Kingdom), Jens Erik Lund (Denmark); **observers — international**: Leo Simon Jozef Andringa (Focoloare Movement — New Humanity), Jim Baker (International Confederation of Free Trade Unions), Steen Jorgensen (World Bank), Arturo Tolentino (International Labour Organization); **observers — Denmark**: Helle Døssing (Copenhagen Centre), Niels Hojensgard (Copenhagen Centre), Lousie Kjær (Copenhagen Centre), Flemming Schultz (Copenhagen Centre), Mads Vestergaard (Copenhagen Centre), Ayo Wahlberg (Copenhagen Centre); **secretariat**: Department of Economic and Social Affairs of the Secretariat, Division for Social Policy and Development: Sergei Zelenev, Eric Olson.

[5] The full text of the reports from the meetings can be found at the web site of the Division for Social Policy and Development of the Department of Economic and Social Affairs of the Secretariat: http://www.un.org/esa/socdev/.

[6] *Report of the World Summit for Social Development, Copenhagen, 6-12 March 1995* (United Nations publication, Sales No. 96.IV.8), chap. I, resolution 1, annex I.

[7] General Assembly resolution 55/2, paras.1 and 6.

[8] A public good is a good or service whereby the consumption by one person does not prevent others from consuming it ("nonrivalrous consumption") and nonpayers of the good or service cannot be easily excluded from the benefits of its consumption ("nonexcludability"). Generally, the market fails to value the quantity demanded of the good or service and tends to underproduce. The market can then be corrected with the government's direct intervention in making sure that an adequate supply of the public good or service is produced. In the field of social development, the prevention and treatment of communicable diseases or the provision of primary education are examples of services that, due to their public good nature, require public action to ensure that the service is sufficiently provided.

[9] Not only the prevention and control of communicable diseases, but also social development objectives such as poverty alleviation and education have a global public good dimension, particularly if viewed as prevention of social conflict and as measures to contain the spread of violent extremism, especially in the wake of recent terrorist attacks.

[10] Based on Bhatnagar, Bhuvan, "Philippines citizen report cards on key public services", presented at the workshop on "Accountability of public institutions to the poor" (21 May 2001).

[11] For more details and discussion see: Harry Blair, Participation and Accountability at the Periphery: Democratic Local Governance in Six Countries, World Development, London (2000), Vol. 28, No. 1.

[12] Analyses of the efforts undertaken by the United Nations system in the context of its operational activities related to capacity-building is contained in the report of the Secretary-General "United Nations system support for capacity-building" (E/2002/58).

[13] See, Ravallion, Martin, "Are the Poor Protected from Budget Cuts? Theory and Evidence for Argentina", World Bank Working Paper No. 2391 (July 2000).

[14] A/57/270.

[15] For a discussion on the breakdown of official development assistance in this field, see, Mehrotra, S., "The Rhetoric of International Development Targets and the Reality of Official Development Assistance", UNICEF, IRC, Innocenti Working Papers No. 85, Florence, 2001.

[16] See: http://www.oecd.org.dac. Only five countries, namely, Denmark, Luxembourg, the Netherlands, Norway and Sweden, now meet or exceed the agreed official development assistance target.

[17] Average 1997-1999. Source: Macroeconomics and Health: Investing in Health for Economic Development. Report of the Commission on Macroeconomics and Health, WHO, Geneva, 2001.

[18] These calculations assume that the recipient countries undertake strong domestic measures to justify and make effective use of the large increase in the donor support.

[19] United Nations, "Towards a new aid compact", Report of the Executive Committee on Economic and Social Affairs of the United Nations, New York, 20 June 2001.

[20] Global public goods are public goods whose benefits reach across borders, generations and population groups. Examples often given are the eradication of diseases, such as smallpox, the maintenance of peace and averting the risk of global climate change. See Inge Kaul, Isabelle Grunberg, and Marc A. Stern (ed.), *Global Public Goods: International Cooperation in the 21st Century*, UNDP, Oxford University Press, New York and Oxford, 1999.

[21] Negative externalities are the costs of an action or process that accrue to someone other than people directly involved in the action, i.e. impact on outsiders.

[22] For the discussion of the issue see: Jan Pronk, "Aid as a Catalyst", *Development and Change* 32 (4), September 2001; James K. Boyd, "Unpacking Aid", *Development and Change* 33 (2); Louis Emmerij, "Aid as a Flight Forward", *Development and Change* 33 (2).

[23] James K. Boyd, op. cit.

[24] Jane Nelson, *Building partnerships: Cooperation between the United Nations system and the private sector*, United Nations, 2002.

[25] For more on collaboration and partnership between civil society and the private sector, see Darcy Ashman, "Civil society collaboration with business: bringing empowerment back in", World Development, Vol. 29, No. 7 (London, 2001).

[26] It should be noted that forging partnerships with the private sector for social development and the social responsibility of the private sector, discussed in Chapter IV of the present report have much in common. However, while the private sector may wish to form partnerships to fulfil social responsibilities, there are also other aspects of the social responsibility of the private sector that do not necessarily involve partnerships. Therefore, despite the similarities, the present report treats the issues separately in different sections.

[27] See, for example, the report of the Secretary-General entitled "Cooperation between the United Nations and all relevant partners, in particular the private sector" (A/56/323).

[28] See the report of the Secretary-General, "United Nations Fund for International Partnerships" (A/57/133). See also the UNFIP web site at http://www.un.org/unfip/.

[29] A/55/3/Rev.1.

[30] For more information about the Information and Communication Technologies Task Force, please see their web site at: http://www.unicttaskforce.org.

[31] In July 2002, the Organization of African Unity was renamed the African Union.

[32] The New Partnership for Africa's Development (NEPAD), October 2001, page 13, downloaded from http://www.uneca.org/nepad/ on 18 November 2002.

[33] Ibid., pages 10 and 13.

[34] Ibid., page 9.

[35] For further discussion on the importance of the social responsibility of transnational corporations, see: UNCTAD, "The Social Responsibility of Transnational Corporations", United Nations, New York and Geneva, 1999 (UNCTAD/ITE/ IIT/Misc.21); OECD, "Foreign Direct Investment, Development and Corporate Responsibility", Paris, 1999.

[36] For further discussion on drivers of the social responsibility of the private sector, particularly private sector initiatives, see *Corporate Responsibility: Private Initiatives and Public Goals*, Organisation for Cooperation and Development, Paris, 2001.

[37] It can be noted that this point of view, while widely shared, is not universal. Some detractors of the concept of the social responsibility of the private sector view it as "misguided virtue", claiming that the general adoption of practices of social responsibility by private companies would reduce welfare and undermine the market economy. (See David Henderson, *Misguided virtue: false notions of corporate social responsibility*, Institute of Economic Affairs, United Kingdom, 2001.) Other analysts and activists are of the opinion that much of what corporations now present as evidence of their sense of corporate social responsibility is, in fact, only the result of numerous pressures applied to corporations at various levels, from an explicit use of government regulation (or the threat of it) to labour and citizen activism and hard negotiations. In this context, the focus on voluntary and self-regulating social initiatives by corporations threatens to take away the impetus for effective regulation, undermining efforts to hold corporations legally accountable for their harmful practices. This argument states that there is a fundamental difference between voluntary private sector initiatives in the field of social responsibility and regulations by governmental authority in the same field or, in other words, between ethics and law. (See Judith Richter, *Holding corporations accountable: corporate conduct, international codes and citizen action*, London and New York, Zed Books, 2001.)

[38] This argument was taken from "Regulating business via multi-stakeholder initiatives: A preliminary assessment", by Peter Utting, in UNRISD, "Voluntary approaches to corporate responsibility: readings and resource guide", NGLS Development Dossier, Geneva, 2002.

[39] For more information about the Global Compact, as well as about the United Nations system and the private sector, see Jane Nelson, *Building Partnerships: Cooperation between the United Nations system and the private sector*, United Nations, 2002.

[40] For more on the HIV/AIDS pandemic, see UNAIDS, *AIDS Epidemic Update 2002*, available at http://www.unaids.org/worldaidsday/2002/press/Epiupdate.html. Also, a detailed analysis of the HIV/AIDS pandemic is provided in J. M. Mann, D. J. M. Tarantola, and T. W. Netter (eds.), "AIDS in the World: A Global Report", Harvard University Press (1992), and Jonathan Mann and Daniel J. M. Tarantola (eds.), "AIDS in the World II: Global Dimensions, Social Roots, and Responses", Oxford University Press, 1996.

[41] As a point of historical interest, some argue that both socially responsible investing and corporate social responsibility date at least as far back as the eighteenth century, with socially responsible investing dating to John Wesley's sermon on "The Use of Money" and corporate social responsibility dating to the management practices of the Scottish industrialist and social thinker Robert Owen. Appalled by the impact of industrialization on workers, Owen sought to demonstrate that improving workplace conditions would lead to higher profits and relieve human misery. Also during the eighteenth century, the Quakers business entities freed their slaves. Today it is argued that the modern origins of socially responsible investing date from the late 1960s and early 1970s when church-based institutions began to use their rights as shareholders to improve product safety at companies such as General Motors. It could perhaps also be argued that modern corporate social responsibility also began at approximately the same time in the form of human resource management practices based upon Owen's philosophy.

[42] See Bernell K. Stone, John B. Guerard, Jr., et al., "Socially Responsible Investment Screening: Strong Evidence of No Significant Cost for Actively Managed Portfolios", 1999; and John B. Guerard, Jr., "Is There a Cost to Being Socially Responsible in Investing?", Vanguard Global Advisors, 1996.

[43] For more details see *Report on the World Social Situation 2001*, United Nations, 2001.

[44] See: Virginie Pérotin, "The voluntary sector, job creation and social policy: Illusions and opportunities", International Labour Review, Geneva, Vol. 140 (2001), No. 3.

[45] Devesh Kapur and Richard Webb, "Governance-related conditionalities of the international financial institutions" (Geneva, UNCTAD, 2000).

[46] D. Kapur and R. Webb, op. cit.

[47] Ngaire Woods, "Making the IMF and the World Bank more accountable", International Affairs, London (January 2001), vol. 77, No. 1.

[48] Ngaire Woods, op. cit.

[49] See: Paul Collier and Jan Willem Gunning, "Explaining African Economic Performance", *Journal of Economic Literature*, Vol. XXXVII, March 1999.

[50] See the report of the United Nations Secretary-General on the Implementation of the Millennium Declaration, A/57/270.

[51] See E/CN.5/2002/3.

[52] See, Review of the Poverty Reduction Strategy Paper Approach: Early Experience, IMF and the World Bank, March 2002; Poverty Reduction Strategy Papers — Progress in Implementation, IMF and the World Bank, DC2002-0016, 13 September 2002.

[53] See, Poverty Reduction Strategy Paper Exercise in Bangladesh: A CPD Review of the Preparation Process, Centre for Policy Dialogue, CPD, Bangladesh, 2002.

[54] See, Review of the Poverty Reduction Strategy Paper Approach: Early Experience, IMF and the World Bank, March 2002.

[55] See, Poverty Reduction Strategy Paper Exercise in Bangladesh: A CPD Review of the Preparation Process, Centre for Policy Dialogue, CPD, Bangladesh, 2002. Perhaps it is unfair to single out Bangladesh as an illustration since, as the IMF/World Bank review of the poverty reduction strategy papers of March 2002 makes clear, participation in and ownership by civil society of the interim strategy papers was limited in many countries.

[56] A/57/319-E/2002/85.